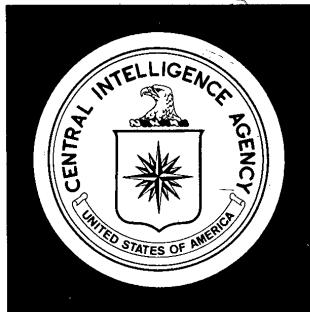


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The President's Daily Brief

August 28, 1975

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FOR THE PRESIDENT ONLY

August 28, 1975

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PORUGAL

The political chasm separating Lisbon and most of the rest of Portugal was made clear once again last night by two political rallies, one in Lisbon and the other in Porto.

In the capital, a crowd estimated at between 15,000 and 35,000 led by the newly formed united front of Communists and fellow-travelers marched to the presidential palace chanting support for Prime Minister Vasco Goncalves.

An appeal by President Costa Gomes for tolerance and a broadening of the new front to include less radical political groups brought boos, catcalls, and cries of "death to the church." Meanwhile, at a Socialist-sponsored rally in the northern port city of Porto 200 miles away, 50,000 marchers screamed for Goncalves' dismissal and rejected the return of a pro-Communist officer as head of the Northern Military Region.

The mood of the people outside Lisbon appears to be growing increasingly ugly.

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In the past few days, Leiria has been the scene of bitter anti-Communist violence, leaving one dead and ten seriously wounded.

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The headquarters of the pro-Communist 5th Division of the armed forces general staff, which has strongly supported Goncalves, was occupied yesterday by the security forces. They expelled the officers in the headquarters and conducted a thorough search. The 5th Division is the propaganda and information service of the armed forces. By itself, the seizure of the unit appears to be a reversal for Goncalves, but the move may also stem from a political compromise worked out by military leaders earlier this week. According to the US embassy in Lisbon, the raid on the military propaganda and information service was carried out on a direct order from the office of President Costa Gomes.

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The suspension of propaganda and information activities was part of a package announced by the Revolutionary Council on Monday. The package included reinstatement of the pro-Communist commander in the north and a restructuring of the Council by the Armed Forces General Assembly. The swift action against the 5th Division and apparent decisiveness of the security forces was unexpected. This may reflect Costa Gomes' irritation over the unit's dissemination Sunday of two official communiqüs without his authorization.

There appears to be growing support for compromise among Portugal's military leaders. There were additional reports yesterday that army Chief of Staff Fabiao had withdrawn his bid to form a new government. It is possible he agreed to do this in exchange for neutralizing the propaganda service.

A somewhat grimmer scenario was drawn yesterday for US Ambassador Carlucci by Emidio Guerreiro, interim secretary general of the left-of-center Popular Democratic Party. Guerreiro, who is believed to be well-informed, said Goncalves had flatly refused to step down and that he and the Communists had threatened to use armed paramilitary groups in Lisbon if the Antunes group did not desist. Also, according to this account, the Antunes group is unsure of its support among the military rank and file, and this is why it has been hesitant to take decisive action against Goncalves.

* * *

According to a report received this morning from the US embassy, a source close to the Antunes group says President Costa Gomes has decided to remove Prime Minister Goncalves today. Costa Gomes reportedly told Antunes on Tuesday that Goncalves would have to resign today or he would fire him. The source says the Antunes group has not decided upon a successor to Goncalves, now that General Fabiao is out of the running, but that Brigadier Pedro Pezarat Correia, commander of the Southern Military Region, is the leading candidate.

If Costa Gomes does take the action against Goncalves, [redacted] there will be a strong reaction from pro-Goncalves forces in the Lisbon area.

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NOTES

Portuguese President Costa Gomes' decision against endorsing unilateral Indonesian military intervention in Timor to restore order probably is too late to prevent an Indonesian invasion.

[redacted] Indonesia must move carefully to avoid being accused of aggression. He had hoped that Portugal would endorse Indonesian intervention. Despite the announcement from Lisbon, he probably will go ahead anyway and make it appear that he is acting on behalf of the Portuguese. Recent worldwide publicity about the deteriorating situation in Timor and Portugal's admission that it has lost control will work to Jakarta's advantage. Unilateral Indonesian action, undertaken in the name of ending the bloodshed and with the appropriate disclaimers about territorial ambitions, probably will not cause sharp international criticism.

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Japan has sold \$750 million in US dollars this month to prevent the yen from rising above a rate of 298 to the dollar. The yen has fallen almost 4 percent since February, but most of the drop has come in the past two months.

The yen has been under pressure, partly because interest rates in Japan are declining relative to those in the US and Western Europe. As a result, the net movement of foreign capital into Japan is declining sharply. The country's export slump also is contributing to the weakening of the yen. The value of exports has fallen 15 percent since the beginning of the year, reducing the demand for yen to finance trade. The Japanese trade surplus, nonetheless, remains high, amounting to \$4.1 billion during the first seven months of 1975, because imports have been falling faster than exports.

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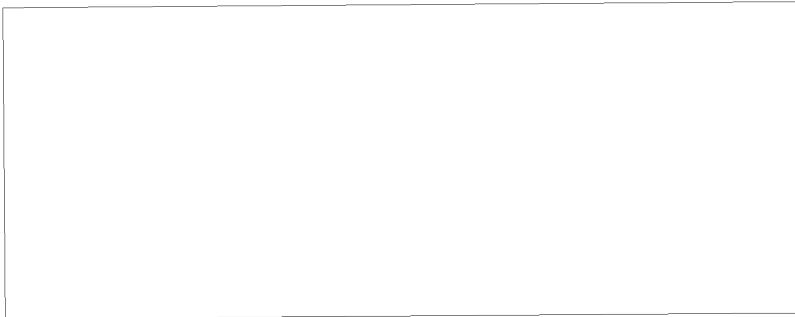
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Philippine President Marcos' state visit to the Soviet Union apparently will be postponed until next year.

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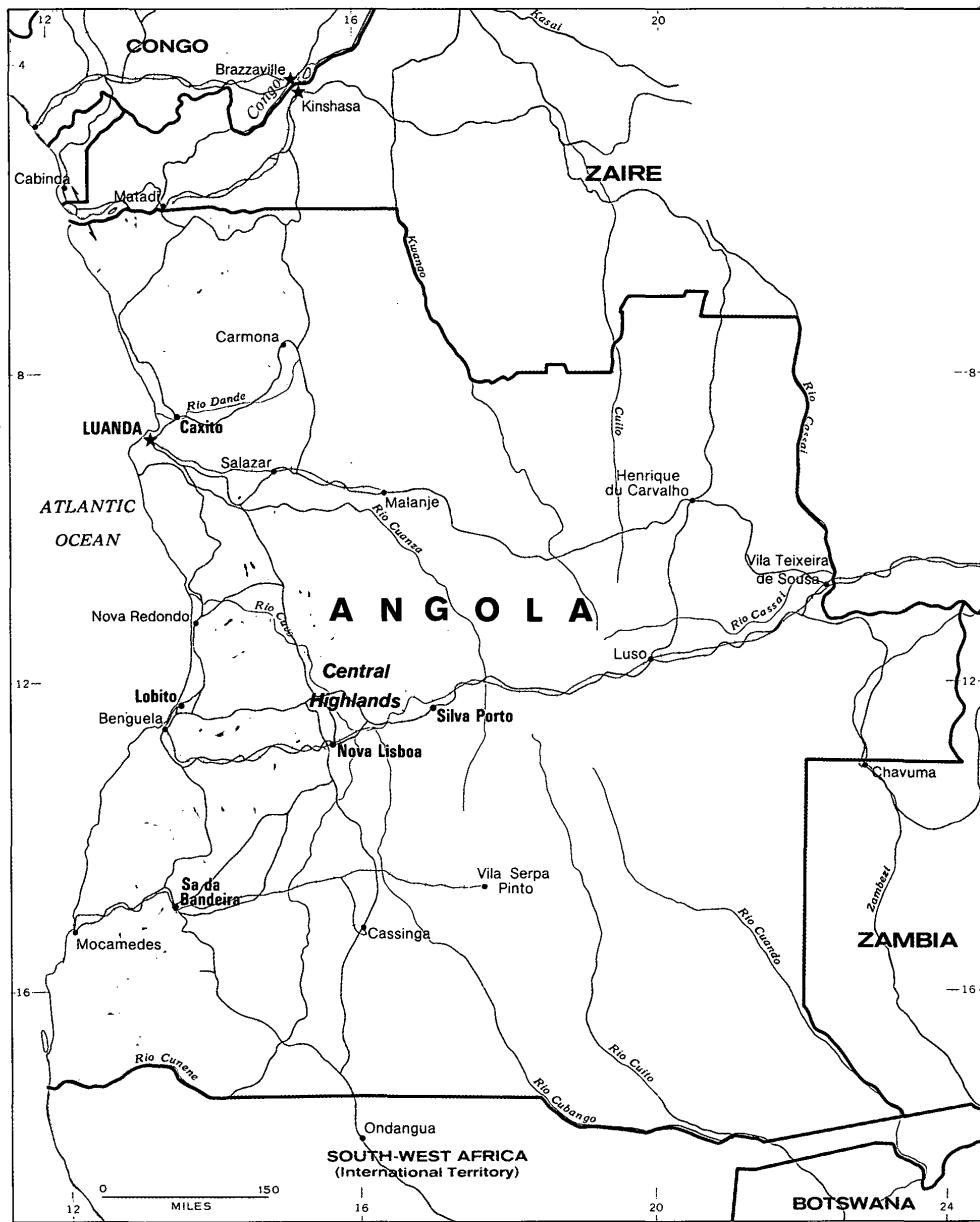
The onus for the failure of the settlement talks between Rhodesian Prime Minister Ian Smith and the black nationalist leaders earlier this week appears to rest on Smith, despite his statements blaming the nationalists.

The nationalists had long maintained they would not hold discussions inside Rhodesia, but reversed themselves and agreed to meet in committees there. Smith, probably taken aback by this unexpected concession, refused a long-standing nationalist demand that he guarantee safety from arrest for two key nationalist leaders to return to Rhodesia for the committee sessions.

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South African Prime Minister Vorster, whose heavy pressure on Smith was largely responsible for the meeting at Victoria Falls this week, has not yet reacted to the meeting's collapse.

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ANGOLA

The Popular Movement for the Liberation of Angola has made substantial territorial gains in central and southern Angola in recent weeks, but the National Front for the Liberation of Angola and the National Union for the Total Independence of Angola may yet be able to squeeze the Movement between them. In order to accomplish this, however, the Movement's rivals will have to overcome quickly a number of basic deficiencies. The Portuguese, for their part, are unable to reassert their authority over the territory.

The Popular Movement established its military and political dominance in Luanda and the exclave of Cabinda some time ago. As a result of recent fighting, it has gained control of Lobito, Angola's major port, and secured control over most, if not all, of the important towns and cities along Angola's central coastal region between Luanda and Lobito. It also has pushed its rivals out of Sa da Bandeira, a city deep in National Union territory in the southern part of the country.

The National Front is still in control of northern Angola and has established a strong presence at Caxito, some 40 miles northeast of Luanda. It has now pushed its way to within 20 miles of the capital.

The National Union still holds the dominant position in the central highlands--the area around Nova Lisboa and Silva Porto. It is making a major effort to retake Luso in eastern Angola, and apparently is planning an offensive to recapture Lobito, without which it has no effective resupply point.

The Popular Movement

Much of the Popular Movement's success to date is due to the fact that its troops and cadre are better trained and organized than those of its rivals.

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The Movement also has been able to recruit large numbers of black Angolans who formerly fought with the Portuguese during the insurgency. As a result, the Popular Movement has gained a well-trained and well-disciplined group of officers and non-coms, in addition to those who received training in communist countries in past years.

The Popular Movement's Marxist, urban-based origins have provided its leaders with the experience to mobilize and organize popular support. The Movement is now setting up paramilitary People's Defense Committees in Luanda and [redacted] recruited several thousand students for two Revolutionary Instruction Centers it is now operating in eastern and central Angola.

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Despite these advantages, the Popular Movement is by no means invincible. Its urban orientation works to its disadvantage in the countryside. Moreover, it may be overextending itself. In some areas it is already stretched thin. In addition, the Movement can no longer count on political support from leftists in Lisbon who are now preoccupied with their own political survival.

The National Front

Before its rivals can effectively challenge the Movement, they will have to overcome some serious deficiencies. The National Front is virtually isolated in northern Angola. It must rely on Zaire for food and military supplies. Although the area is highly populated, the population is widely dispersed and difficult to organize.

Front leader Holden Roberto's long refusal to leave his headquarters in Zaire until after his organization had been pushed out of Luanda in late June was a severe morale blow to the Front and created serious command problems. [redacted]

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[redacted] Roberto is now leading the Front's operations in the Caxito area, however, and this may help overcome past leadership weaknesses.

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Reliable sources in Luanda have informed the US consul that the National Front is undertaking a major build-up of heavy arms in northern Angola. The Zairian military is giving the Front sizable quantities of arms from its own stocks.

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*FOR THE PRESIDENT ONLY*The National Union

The National Union too is in a difficult position. It has always been the smallest and most poorly armed of the three liberation groups and has the largest area to defend. Because of its military weakness, the National Union apparently expended the best part of its effort during the insurgency toward political organization rather than clashes with the Portuguese. As a result, the Union has strong political support in central Angola, but needs a large supply of arms if it is to build a significant military force.

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To date, Union leader Jonas Savimbi's recognition that he lacks a strong military base and his misgivings about the staying power of the National Front have kept him from formally aligning with the Front. Savimbi has ordered his troops against the Popular Movement only as a last resort. His reluctance has cost him a certain degree of respect among the local population and his own troops, who appear to be well motivated and well led and regard his position as one of weakness rather than political expediency.

The recent fighting, however, apparently has convinced Savimbi that he has no real choice but to take an unequivocal military position against the Popular Movement.

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The Portuguese

The Portuguese are drifting aimlessly in Angola, despite recent announcements that Lisbon intends to reassert its authority over the territory. Lisbon has declared the agreement signed last January with the three liberation groups null and void and has assigned full legislative and defense powers to the acting high commissioner.

The Popular Movement has challenged that declaration. Its officials in Luanda are operating as if the transitional government continues to function. Using the authority derived from the economic portfolios they held in the transitional government,

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Movement officials in recent weeks have nationalized Luanda's banks and insurance companies and have signaled their intention to nationalize the Angolan airline in the near future.

The 22,000 Portuguese troops remaining in the territory are demoralized and distracted by the political struggle in Lisbon and are themselves divided politically. By and large, they have pulled out of the countryside to regroup in the large coastal cities in order to protect the evacuation of whites and prepare for their own eventual withdrawal. The Portuguese cannot maintain order outside of these cities.

What Next?

Portuguese officials are attempting to sell a modified transitional government to the three liberation groups. They are also sending delegations to neighboring African heads of state to enlist their support for a return to a coalition-type government in which all three liberation groups would participate, although with diminished authority. The acting high commissioner said yesterday that the senior representatives of the Popular Movement and the National Union in the former transitional government are currently in Lisbon to discuss the possibility of reviving the transitional government structure.

In the final analysis, the best the Portuguese can hope for is to get the whites out, maintain a semblance of authority, and establish some structure that will pass for a government and survive at least through the ceremonies transferring independence on November 11.

The Popular Movement appears set on gaining control over as much of Angola as possible between now and independence day. Movement leaders are probably well aware that their sympathizers in the government and the Armed Forces Movement in Portugal are under intense pressure and may not be able to force whatever government is in office in Lisbon at the time to recognize or support a declaration of independence for the territory under the Movement's banner. In that event, Movement leaders undoubtedly want to be in the best possible military position to take over the territory by force come November.

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The Popular Movement is caught, however, between the Front in the north and the Union to the south. These groups could tighten the vise on the Movement if they can gain the necessary momentum without undue delay. Even if they can take the initiative away from the Movement, however, the best they may be able to achieve is a stalemate, forcing it to return to a coalition government that could assume independence from Portugal in November. Such a government, however, would be unlikely to survive much beyond independence day.

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